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Greenskies

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Co-Chairs and Committee Members
Energy and Technology Committee
Room 3900, Legislative Office Building
Hartford, CT 06106

To the Co-Chairs and Members of the Connecticut General Assembly's Energy & Technology Committee:

Testimony in Support of SB 415

Executive Summary

The Virtual Net-Metering pilot program established in PA 11-80 can be made significantly more effective by making the following 3 amendments:

1. Property and/or generating facility can be owned by a private third-party so long as the beneficial account is a municipal/governmental account.
2. VNM facilities should be facilities that are part of the SREC/LREC programs.
3. Credit valuation to include transmission, delivery and generation charges; the same methodology for calculated conventional net metering.

Re: Virtual Net Metering as legislated in PA 11-80 and subsequently amended in Senate Bill 415 sec 48

Greenskies Renewable Energy is a Middletown, CT-based developer of solar generating facilities. Greenskies specializes in developing solar projects for commercial and municipal entities throughout the Northeastern U.S. Starting as a two-man operation in a Westbrook, CT basement in 2008, Greenskies has grown over the past four years through regional relationships with clients like Wal-Mart Stores Inc, Target Corporation and Northeast Utilities to establish itself as a regional leader in the solar industry.

Upon the passage of PA 11-80, a new opportunity to develop solar energy projects in our home state became possible with the advent of the ZREC – an environmental commodity generated by a solar power facility that can be sold to the two Electric Distribution Companies (EDCs) through a competitive solicitation, creating a new source of revenue for the owners of solar facilities thereby making solar energy projects financeable throughout CT. Not only did the Energy and Technology Committee create the ZREC program, it also initiated a pilot program for Virtual Net Metering which allows traditional Net Metering Credits to be applied to a utility meter other than the meter behind-which the electricity had been produced. Once quantified through conventional bi-directional metering, that net metered credit could be "virtually" assigned to a municipal account served by an EDC.

We feel that the VNM legislation should be amended (please see attached language) so that it can have a positive impact on the ZREC program by lowering project costs, allowing municipalities to enjoy the benefit of the program and to allow for solar projects to be developed in ideal generating environments. With great respect and appreciation, Greenskies would like to make the following recommendations to the Energy and Technology Committee regarding SB 415:

Property and/or generating facility can be owned by private third-party so long as the beneficial account is a municipal/governmental account:

There are three sources of revenue for a solar developer which they use to finance clean energy projects: revenue from sales of electricity, revenue from sales of ZRECs and tax credits. Since municipal entities are tax exempt, they are unable to utilize the third form of revenue making third party financing a common practice when developing solar projects for municipalities. Furthermore, Greenskies has encountered several municipalities that do not have sufficient excess land to facilitate a solar development project, making private property the only option to locate a solar project. By allowing municipalities to contract with third parties, the full benefit of VNM, both in terms of ZREC cost reduction and municipal benefit can be realized.

VNM facilities should be facilities that are part of the SREC/LREC programs:

Currently, the legislation does not distinguish between SREC/LREC projects and any other project that may exist in a municipal energy plan. This could result in municipalities applying for VNM with projects that already make financial sense in order to gain additional savings by redirecting VNM credit towards more pricy beneficial accounts in their portfolio of meters. We do not believe this was the intent of the language, but it has been interpreted as such by the EDCs. By legislating that VNM is designed for ZREC/LREC projects, the rate payer will benefit in three ways: 1) reduced ZREC/LREC bid values as a result of VNM projects, 2) ensures that the pilot VNM program results in new cost-saving projects and not merely the restructuring of existing projects, and 3) it ensures that the ZREC/LREC program constitutes a natural capping mechanism on the expansion of the VNM program.

Credit valuation to include transmission, delivery and generation charges; the same methodology for calculated conventional net metering:

It is our understanding that the $1,000,000 cap is to be calculated as the first $1,000,000 of VNM credit that can be attributed to the EDCs lost transmission and delivery charges. Currently, EDCs are formulating a regulation that quantifies the VNM credit exclusively on generation charges. Since the EDCs are not providing the generation to most governmental agencies, which is provided by third-party retail generators, it makes more sense to cap the distribution and transmission charges lost by the EDC. Furthermore, the VNM credit should calculated as the generation, transmission and distribution costs that the host account would have incurred were it not for the presence of the solar generating facility – that is the way all net-metered credits are quantified. That portion of costs attributed to generation is simply lost business to a competing brown energy provider while the EDC is allowed to cap their rate impact at $1,000,000 and to recover those costs through conventional cost-recovery mechanisms.

We hope these comments result in an improved policy that allows municipal entities to optimize the benefits of solar electrical production while reducing the overall impact of the existing renewable energy program to CT's rate payers.

Sincerely,

Michael Silvestrini, President

Section 121 of public act 11-80 is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) As used in this section:

(1) "Beneficial account" means an in-state retail end user of an electric distribution company designated by a customer host in such electric distribution company's service area to receive virtual net metering credits from a virtual net metering facility;

(2) "Customer host" means an in-state [retail] end user of an electric distribution company that owns, leases, or contracts with a third party that owns a virtual net metering facility and participates in virtual net metering;

(3) "Unassigned virtual net metering credit" means in any given electric distribution company monthly billing period, a virtual net metering credit that remains after both the customer host and its beneficial accounts have been billed for zero kilowatt hours related solely to the generation service charges on such billings through virtual net metering;

(4) "Virtual net metering" means the process of combining the electric meter readings and billings, including any virtual net metering credits, for a customer host and a beneficial account through an electric distribution company billing process related solely to the generation service charges on such billings;

(5) "Virtual net metering credit" means a credit equal to the entire generation, distribution and transmission retail cost per kilowatt hour the customer host may have otherwise been charged for each kilowatt hour produced by a virtual net metering facility that exceeds the total amount of kilowatt hours used during an electric distribution company monthly billing period; [and]

(6) "Virtual net metering facility" means a Class I renewable energy source that: (A) is [served by an] connected to the electric distribution [company] system, is owned or leased by a customer host, or is owned by a third party that contracts with a customer host, and which serves the electricity needs of the customer host and its beneficial accounts; (B) is within the same electric distribution company service territory as the customer host and its beneficial accounts; and (C) has a nameplate capacity rating of two megawatts or less and;[.]

(7) "Governmental customer" or "governmental customer host" means the state or any political subdivision thereof or any municipality.

(b) Each electric distribution company shall provide virtual net metering to its [municipal] governmental customers and shall make any necessary interconnections for a virtual net metering facility. Upon request by a [municipal] governmental customer host to implement the provisions of this section, an electric distribution company shall install metering equipment, if necessary. For each [municipal] governmental customer host, such metering equipment shall (1) measure electricity consumed from the electric distribution company's facilities; (2) deduct the amount of electricity produced but not consumed; and (3) register, for each monthly billing period, the net amount of electricity produced and, if applicable, consumed. If, in a given monthly billing period, a [municipal] governmental customer host supplies more electricity to the electric distribution system than the electric distribution company delivers to the [municipal] governmental customer host, the electric distribution company shall bill the [municipal] governmental customer host for zero kilowatt hours of generation and assign a virtual net metering credit to the [municipal] governmental customer host's beneficial accounts for the next monthly billing period. Such credit shall be applied against the generation service component of the beneficial account. Such credit shall be allocated among such accounts in proportion to their consumption for the previous twelve billing periods.

(c) An electric distribution company shall carry forward any unassigned virtual net metering generation credits earned by the [municipal] governmental customer host from one monthly billing period to the next until the end of the calendar year. At the end of each calendar year, the electric distribution company shall compensate the [municipal] governmental customer host for any unassigned virtual net metering generation credits at the rate the electric distribution company pays for power procured to supply standard service customers pursuant to section 16-244c of the general statutes, as amended by this act.

(d) At least sixty days before a [municipal] governmental customer host's virtual net metering facility becomes operational, the [municipal] governmental customer host shall provide written notice to the electric distribution company of its beneficial accounts. The [municipal] governmental customer host may change its list of beneficial accounts not more than once annually by providing another sixty days' written notice. The [municipal] governmental customer host shall not designate more than five beneficial accounts.

(e) On or before February 1, 2012, the [Department of Environmental Protection] Public Utilities Regulatory Authority shall conduct a proceeding to develop the administrative processes and program specifications, including, but not limited to, a cap of one million dollars per year apportioned to each electric distribution company based on consumer load for credits provided to each beneficial account[s] pursuant to subsection (c) of this section and payments made pursuant to subsection (d) of this section.

(f) On or before January 1, 2013, and annually thereafter, each electric distribution company shall report to the [department] authority on the cost of its virtual net metering program pursuant to this section and the [department] authority shall combine such information and report it annually, in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committee of the General Assembly having cognizance of matters relating to energy.